DAPHNE INTERNATIONAL HOLDINGS LIMITED
達 芙 妮 國 際 控 股 有 限 公 司*

(*Incorporated in the Cayman Islands with limited liability*)
(**Stock code: 210**)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS OF 2017 ANNUAL RESULTS

- The Group’s total turnover amounted to HK$5,211.0 million
- Gross margin improved by 1.9 percentage points to 52.8%
- Operating loss narrowed by HK$130.7 million to HK$688.8 million
- Inventories decreased by HK$167.6 million to HK$1,246.9 million
- The Group had net cash of HK$330.0 million

* *for identification purpose only*

ANNUAL RESULTS

The board of directors (the "Board") of Daphne International Holdings Limited (the "Company") announces the audited consolidated annual results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2017, together with the comparative figures for 2016.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017**	2016
		HK$'000	HK$'000
Turnover	3	**5,210,995**	6,501,677
Cost of sales		**(2,457,959)**	(3,190,004)
Gross profit		**2,753,036**	3,311,673
Other income	4	**43,221**	76,685
Other losses – net	5	**(13,327)**	(59,544)
Selling and distribution expenses		**(3,159,322)**	(3,768,768)
General and administrative expenses		**(312,431)**	(379,534)
Operating loss	6	**(688,823)**	(819,488)
Finance costs	7	**(6,042)**	(6,526)
Share of losses of associates and joint ventures		**(3,108)**	(2,160)
Loss before income tax		**(697,973)**	(828,174)
Income tax expense	8	**(44,056)**	(9,363)
Loss for the year		**(742,029)**	(837,537)
Attributable to:			
Shareholders		**(734,204)**	(819,127)
Non-controlling interests		**(7,825)**	(18,410)
		(742,029)	(837,537)
Loss per share, basic and diluted *(HK cents)*	9	**(44.5)**	(49.7)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	HK$'000	HK$'000
Loss for the year	**(742,029)**	(837,537)
Other comprehensive income/(loss)		
Item that may be reclassified subsequently to profit or loss:		
Currency translation differences	**1,445**	212
Revaluation of an available-for-sale financial asset	**3,375**	-
Item that will not be reclassified subsequently to profit or loss:		
Currency translation differences	**234,112**	(280,152)
Total comprehensive loss for the year	**(503,097)**	(1,117,477)
Attributable to:		
Shareholders	**(502,487)**	(1,092,092)
Non-controlling interests	**(610)**	(25,385)
	(503,097)	(1,117,477)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	**2017**	2016
		HK$'000	HK$'000
Non-current assets			
Land use rights		**47,769**	72,567
Property, plant and equipment		**859,290**	902,112
Investment properties		**67,481**	51,520
Interests in associates		**1,803**	1,801
Interests in joint ventures		**2,487**	353
Available-for-sale financial asset		**3,698**	-
Intangible assets		**20,741**	20,641
Long-term rental deposits and prepayments		**85,590**	91,385
Deferred income tax assets		**270,136**	329,216
		1,358,995	1,469,595
Current assets			
Inventories		**1,246,878**	1,414,500
Trade receivables	11	**181,310**	208,118
Other receivables, deposits and prepayments		**827,337**	955,786
Derivative financial instruments		**-**	15,662
Pledged bank deposits		**181,403**	-
Bank deposit with maturity over three months		**4,785**	16,721
Cash and cash equivalents		**299,830**	972,769
		2,741,543	3,583,556
Assets of disposal group classified as held-for-sale		**53,322**	-
		2,794,865	3,583,556
Current liabilities			
Trade payables	12	**581,157**	807,034
Other payables and accrued charges		**362,601**	370,166
Current income tax liabilities		**4,511**	16,478
Bank loans		**156,274**	296,694
		1,104,543	1,490,372
Liabilities of disposal group classified as held-for-sale		**247**	-
		1,104,790	1,490,372
Net current assets		**1,690,075**	2,093,184
Total assets less current liabilities		**3,049,070**	3,562,779

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	2017	2016
	HK$'000	HK$'000
Equity attributable to shareholders		
Share capital	**164,914**	164,914
Reserves	**2,709,993**	3,206,484
	2,874,907	3,371,398
Non-controlling interests	**160,754**	160,652
Total equity	**3,035,661**	3,532,050
Non-current liabilities		
Deferred income tax liabilities	**13,409**	30,729
	13,409	30,729
Total equity and non-current liabilities	**3,049,070**	3,562,779

NOTES TO THE FINANCIAL INFORMATION

1 General information

Daphne International Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the manufacturing, distribution and retailing of footwear and accessories in Mainland China.

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1- 1111, Cayman Islands.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") unless otherwise stated.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset, financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments), which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) Amendments to standards effective and adopted by the Group in 2017

HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 12 (Amendment)	Income Taxes
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities

The adoption of these amendments has no material impact on the results and financial position of the Group.

(b) New standards, amendments to standards and interpretations that have been issued but are not yet effective and not early adopted by the Group

		Effective for accounting periods beginning on or after
HKAS 28 (Amendment)	Investment in Associates and Joint Ventures	1 January 2018
HKAS 40 (Amendment)	Investment Property	1 January 2018
HKFRS 1 (Amendment)	First Time Adoption of HKFRS	1 January 2018
HKFRS 2 (Amendment)	Share-based Payment	1 January 2018
HKFRS 4 (Amendment)	Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018[(i)]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018[(ii)]
HKFRS 16	Leases	1 January 2019[(iii)]
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019

The above new standards, amendments to standards and interpretations are not expected to have a material impact on the results and the financial position of the Group, except those set out below:

(i) HKFRS 9 “Financial Instruments”

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets because a fair value through other comprehensive income (“FVOCI”) election is available for the equity instrument which is currently classified as available-for-sale and the Group does not have the following financial assets:

- Debt instruments that are classified as available-for-sale financial assets;
- Debt instruments classified as held-to-maturity and measured at amortised cost;
- Equity investment measured at fair value through profit or loss.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for non-derivative financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 “Financial Instruments: Recognition and Measurement” and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 “Revenue from Contracts with Customers”, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to its impairment provisions.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) HKFRS 15 “Revenue from Contracts with Customers”

This new standard will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group is currently assessing the impact of adopting HKFRS 15 on the Group’s consolidated financial statements, by identifying the separate performance obligations in the contracts with customers which could affect the timing of the revenue recognition. Based on the assessments undertaken to date, the Group does not expect material impact on the timing and amount of revenue recognised in the respective reporting periods. More detailed assessments will be carried out by the Group to estimate the impact of the new rules on the Group’s consolidated financial statements.

(iii) HKFRS 16 “Leases”

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$1,275,733,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 Segment information

The Group is principally engaged in the manufacturing, distribution and retailing of footwear and accessories.

The chief operating decision-maker (“CODM”) has been identified as the executive directors. The CODM assesses the performance of the business from a business unit perspective, i.e. core brands business, other brands business and manufacturing business and allocate resources accordingly.

The CODM assesses the performance of the operating segments based on a measure of segment results before finance costs, amortisation and impairment of intangible assets and unallocated corporate income and expenses. Certain corporate overhead expenses, including management fee, rental and utilities were reallocated among individual segments based on estimated consumption.

Revenue from external customers is arrived at after elimination of inter-segment revenue. Inter-segment revenue is charged in accordance with terms as determined and agreed mutually by relevant parties. Revenue from external customers of core brands business and other brands business is mainly derived from Mainland China, Taiwan and Hong Kong and revenue from external customers of manufacturing business is mainly derived from Mainland China. None of the customers accounted for 10% or more of the total turnover of the Group for each of the two years ended 31 December 2017 and 2016.

The Group’s non-current assets, excluding deferred income tax assets, are mainly located in Mainland China.

The following is an analysis of the Group's revenue and results by reportable segment as reviewed by the CODM:

	Core brands business HK$'000	Other brands business HK$'000	Manu-facturing business HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Year ended 31 December 2017					
Revenue from external customers	**4,477,461**	**733,534**	**-**	**-**	**5,210,995**
Inter-segment revenue	**225,768**	**-**	**199,208**	**(424,976)**	**-**
Total segment revenue	**4,703,229**	**733,534**	**199,208**	**(424,976)**	**5,210,995**
Segment results	**(667,630)**	**(7,137)**	**(146)**	**566**	**(674,347)**
Amortisation of intangible assets					**(295)**
Corporate income					**8,034**
Corporate expenses					**(22,215)**
Operating loss					**(688,823)**
Finance costs					**(6,042)**
Share of losses of associates and joint ventures					**(3,108)**
Loss before income tax					**(697,973)**
Other information for disclosure:					
Amortisation of intangible assets	**-**	**295**	**-**	**-**	**295**
Amortisation of land use rights	**1,097**	**-**	**1,101**	**-**	**2,198**
Depreciation of property, plant and equipment	**155,885**	**7,707**	**12,508**	**-**	**176,100**
Depreciation of investment properties	**1,015**	**-**	**2,439**	**-**	**3,454**
Capital expenditure	**114,258**	**4,691**	**4,606**	**-**	**123,555**
Year ended 31 December 2016					
Revenue from external customers	5,691,472	808,806	1,399	-	6,501,677
Inter-segment revenue	244,563	4,228	206,413	(455,204)	-
Total segment revenue	5,936,035	813,034	207,812	(455,204)	6,501,677
Segment results	(744,127)	7,825	(12,344)	15,735	(732,911)
Amortisation of intangible assets					(4,446)
Impairment of intangible assets					(37,464)
Corporate income					836
Corporate expenses					(45,503)
Operating loss					(819,488)
Finance costs					(6,526)
Share of losses of associates and joint ventures					(2,160)
Loss before income tax					(828,174)
Other information for disclosure:					
Amortisation of intangible assets	-	4,446	-	-	4,446
Impairment of intangible assets	-	37,464	-	-	37,464
Amortisation of land use rights	1,112	-	1,153	-	2,265
Depreciation of property, plant and equipment	220,616	7,780	16,586	-	244,982
Provision for/(reversal of) impairment of property, plant and equipment	3,806	-	(5,805)	-	(1,999)
Depreciation of investment properties	-	-	1,151	-	1,151
Impairment of an investment property	-	-	9,979	-	9,979
Capital expenditure	88,838	16,162	5,922	-	110,922

The following is an analysis of the Group's assets and liabilities by reportable segment as reviewed by the CODM:

	Core brands business HK$'000	Other brands business HK$'000	Manu-facturing business HK$'000	Group HK$'000
As at 31 December 2017				
Segment assets	**3,390,977**	**157,634**	**105,377**	**3,653,988**
Goodwill	**15,079**	**-**	**-**	**15,079**
Other intangible assets	**-**	**5,662**	**-**	**5,662**
	3,406,056	**163,296**	**105,377**	**3,674,729**
Interests in associates				**1,803**
Interests in joint ventures				**2,487**
Investment properties				**67,481**
Available-for-sale financial asset				**3,698**
Deferred income tax assets				**270,136**
Assets of disposal group classified as held-for-sale				**53,322**
Corporate assets				**80,204**
Total assets				**4,153,860**
Segment liabilities	**800,344**	**86,988**	**46,719**	**934,051**
Deferred income tax liabilities				**13,409**
Liabilities of disposal group classified as held-for-sale				**247**
Corporate liabilities				**170,492**
Total liabilities				**1,118,199**
As at 31 December 2016				
Segment assets	4,179,288	249,985	100,685	4,529,958
Goodwill	15,079	-	-	15,079
Other intangible assets	-	5,562	-	5,562
	4,194,367	255,547	100,685	4,550,599
Interests in associates				1,801
Interests in joint ventures				353
Investment properties				51,520
Deferred income tax assets				329,216
Derivative financial instruments				15,662
Corporate assets				104,000
Total assets				5,053,151
Segment liabilities	960,352	143,085	33,629	1,137,066
Deferred income tax liabilities				30,729
Corporate liabilities				353,306
Total liabilities				1,521,101

4 Other income

	2017 HK$'000	2016 HK$'000
Franchise and royalty income	**1,932**	5,325
Government subsidies	**2,390**	5,880
Gross rental income	**8,574**	3,199
Income derived from a television programme	**-**	34,475
Interest income	**22,378**	16,342
Others	**7,947**	11,464
	43,221	76,685

5 Other losses - net

	2017 HK$'000	2016 HK$'000
Fair value (loss)/gain on derivative financial instruments	**(14,699)**	11,001
Gain on disposal of an available-for-sale financial asset	**-**	36
Gain on disposal of subsidiaries	**797**	-
Impairment of intangible assets	**-**	(37,464)
Impairment of an investment property	**-**	(9,979)
Loss on disposal of property, plant and equipment	**(15,164)**	(22,219)
Net exchange gain/(loss)	**15,739**	(2,918)
Reversal of impairment of property, plant and equipment	**-**	1,999
	(13,327)	(59,544)

6 Operating loss

Operating loss is stated after charging the following:

	2017 HK$'000	2016 HK$'000
Amortisation of land use rights	**2,198**	2,265
Amortisation of license rights	**295**	2,134
Amortisation of trademarks	**-**	2,312
Auditors' remuneration	**4,155**	4,764
Cost of inventories sold, including reversal of provision for slow-moving inventories of HK$25,802,000 (2016: provision of HK$34,212,000)	**2,358,490**	3,089,148
Depreciation of property, plant and equipment	**176,100**	244,982
Depreciation of investment properties	**3,454**	1,151
Employee benefits expense (including directors' emoluments and share-based payment expense)	**833,176**	889,438
Net provision for impairment of trade receivables	**3,286**	111
Operating lease rentals (including concessionaire fees) in respect of land and buildings	**1,594,524**	1,924,513
Production cost of a television programme	**-**	60,929

7 Finance costs

	2017	2016
	HK$'000	HK$'000
Interest on bank loans	**6,042**	6,526

8 Income tax expense

	2017	2016
	HK$'000	HK$'000
Current income tax	**11,106**	12,524
Over provision in prior years	**(22,246)**	(36)
Deferred income tax	**55,196**	(3,125)
	44,056	9,363

The weighted average domestic tax rate is 25% (2016: 24%). The increase is caused by a change in the profit or loss before income tax of the Group's subsidiaries in the respective places.

The applicable rate of Hong Kong profits tax is 16.5% (2016: 16.5%). No provision for Hong Kong profits tax has been made in the financial statements as the Group does not have any assessable profit arising in Hong Kong during the years ended 31 December 2017 and 2016.

Provision for China corporate income tax is calculated based on the statutory tax rate of 25% (2016: 25%) on the assessable income of each of the Group's entities.

Income tax on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profits for the year at the applicable rates of income tax prevailing in the places where the Group operates.

Pursuant to the China corporate income tax laws, 10% withholding tax is levied on all foreign investors, except that only 5% is levied for foreign investors which are incorporated in Hong Kong, in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 31 December 2007.

Pursuant to the China corporate income tax laws, withholding tax at a reduced rate of 7% (2016: 7%) by treaty is applied to the Group's entities incorporated in Hong Kong for royalties received or receivable net with value-added tax.

9 Loss per share

Basic loss per share is calculated by dividing the loss attributable to shareholders of HK$734,204,000 (2016: HK$819,127,000) by the weighted average number of 1,649,142,384 (2016: 1,649,142,384) shares in issue during the year.

For each of the two years ended 31 December 2017 and 2016, basic and diluted loss per share are the same as there was no dilutive potential share.

10 Dividends

The board of directors does not recommend the payment of a dividend in respect of the year ended 31 December 2017 (2016: Nil).

11 Trade receivables

	2017 HK$'000	2016 HK$'000
Trade receivables	**186,541**	209,816
Less: Provision for impairment	**(5,231)**	(1,698)
Trade receivables - net	**181,310**	208,118

The ageing analysis of trade receivables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
0 - 30 days	**109,753**	120,709
31 - 60 days	**47,884**	52,135
61 - 90 days	**14,449**	17,436
91 - 120 days	**3,333**	5,484
121 - 180 days	**2,910**	6,274
181 - 360 days	**2,934**	5,267
Over 360 days	**47**	813
	181,310	208,118

The carrying values of trade receivables approximate their fair values. The Group generally allows an average credit period of 30 to 90 days to its trade customers other than major and long standing customers with whom specific extended terms will be agreed between the Group and the relevant counter parties.

12 Trade payables

The ageing analysis of trade payables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
0 - 30 days	**272,888**	394,146
31 - 60 days	**91,435**	198,496
61 - 90 days	**207,666**	202,838
91 - 120 days	**5,560**	2,986
121 - 180 days	**185**	393
181 - 360 days	**513**	7,500
Over 360 days	**3,054**	675
	581,301	807,034
Less: Transfer to disposal group classified as held-for-sale	**(144)**	-
	581,157	807,034

13 Capital commitments for purchase of land use rights and property, plant and equipment

	2017 HK$'000	2016 HK$'000
Contracted but not provided for	**2,621**	6,624

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Group Performance

2017 is an important year for the Group as it initiated a number of transformation measures, including brand revamp and product upgrade, to address the market challenges. In that year of transition, the Group's turnover decreased by 19.9% to HK$5,211.0 million (2016: HK$6,501.7 million). This was mainly attributable to the decrease in turnover at its Core Brands Business whose number of stores decreased by 21.9% and its same-store sales saw a decrease. The Group's gross profit declined by 16.9% to HK$2,753.0 million (2016: HK$3,311.7 million). However, its gross profit margin increased to 52.8% (2016: 50.9%) because of an increase in the gross profit margin at the Core Brands Business.

Despite China's inflationary environment and the Group's investment in transformation initiatives, operating cost dropped by 17.2% in 2017 because the Group remained vigilant in cost control. The decrease was in line with the decline in the Group's sales.

The Group's operating loss was narrowed to HK$688.8 million in 2017 from HK$819.5 million for the previous year. Loss attributable to shareholders of the Company decreased to HK$734.2 million for the year of 2017 (2016: HK$819.1 million).

Basic loss per share was HK44.5 cents (2016: HK49.7 cents). The board of directors did not recommend the payment of a final dividend (2016: Nil).

Continued efforts in inventory management decreased the inventory level further to HK$1,246.9 million as of 31 December 2017, from HK$1,414.5 million in 2016. Average inventory turnover days for the Group was 198 days (2016: 201 days).

The Group's e-commerce operation continued to be profitable, although it faced tougher competition in 2017. In addition, the Group's financial position remained solid with a net cash position of HK$330.0 million.

The Group initiated adjustment of its channel mix to align with its refreshed brand images and continued to optimise its store network in 2017, and the move led to a net reduction of 1,064 points-of-sale ("POS"). Therefore, the total number of the Group's POS was 3,836 as at 31 December 2017, of which 3,589 POS were under its Core Brands Business and 247 POS were under its Other Brands Business.

Core Brands Business

The Group's Core Brands Business mainly refers to the retail business of women's footwear and accessories under its own brands, "Daphne" and "Shoebox", in Mainland China.

The Group started adjusting its channel mix to align with its refreshed brand images and continued store rationalisation during the year under review, and these measures resulted in a net closure of 1,009 POS (including 943 directly-managed stores and 66 franchised stores) for the whole year of 2017. As at 31 December 2017, its Core Brands Business had a total of 3,589 POS (comprising 3,303 directly-managed stores and 286 franchised stores), down by 21.9% from 4,598 POS as at 31 December 2016.

Number of POS of Core Brands Business:

	At 31 December 2017		At 31 December 2016		Change	
Directly-managed stores	**3,303**	***92%***	4,246	*92%*	-943	*-22.2%*
Franchised stores	**286**	***8%***	352	*8%*	-66	*-18.8%*
Total	**3,589**	***100%***	4,598	*100%*	-1,009	*-21.9%*

Number of POS of Core Brands Business by city tier:

	At 31 December 2017		At 31 December 2016		Change	
Tier 1	**364**	***10%***	514	*11%*	-150	*-29.2%*
Tier 2	**877**	***25%***	1,125	*25%*	-248	*-22.0%*
Tier 3	**680**	***19%***	890	*19%*	-210	*-23.6%*
Tier 4-6	**1,668**	***46%***	2,069	*45%*	-401	*-19.4%*
Total	**3,589**	***100%***	4,598	*100%*	-1,009	*-21.9%*

During the transition before transformation measures were fully implemented, the Group continued to face intense competition from the local regional peers as it adopted a more stable pricing policy to align with the new brand images in 2017. This strategic move put the Group’s sales under great pressure, especially in the third quarter when the peers offered even greater discounts when compared to those in the corresponding period in the previous year. Although the Group’s full-year same-store sales decreased in 2017, it saw a deceleration in the same-store sales decline in the fourth quarter of the year when it launched its well-received autumn collection with enhanced design.

As a result of the reduction in store number and decline in same-store sales, turnover at the Group’s Core Brands Business decreased by 20.8% to HK$4,703.2 million (2016: HK$5,936.0 million). The segment revenue generated from sales to external customers of the Core Brands Business accounted for 86% of the Group’s total revenue for 2017 (2016: 88%).

The Group adopted a stable pricing strategy to support the new brand images, facilitate steady sales through the seasons and enhance the gross profit margin. Although the strategy exerted downward pressure on the sales during the transition period, it helped enhance the gross profit margin in 2017. Despite the negative impact of the continued effort to clear the aged inventory during the year, Core Brands Business’ gross profit margin still managed to increase to 49.2%, up by 1.9 percentage points. The average selling price (“ASP”) at the Core Brands Business was RMB159 (2016: RMB159).

Although the efforts made for key transformation initiatives only started to be reflected at customer touch-points in the second half of 2017, mostly in the last few months, and many of their benefits were not yet realised, the Group was able to narrow the operating loss to HK$667.6 million in 2017 from HK$744.1 million in the previous year. The operating margin was -14.2% (2016: -12.5%).

While most of the first half of the year was spent on the careful formulation of the brand-revamp programme and on doing the groundwork and making preparations for the roll-out of major transformation initiatives, including the design of new brand logos and the new store images, and the strengthening of the product design team, the Group opened its first new image prototype store for “Daphne” in June and launched its first crossover project with a hip and cool U.S. fashion brand, “Opening Ceremony” (“OC”), for its autumn and winter collections in the third and fourth quarters of 2017. It also conducted an integrated marketing campaign for the launch that encompassed the opening of pop-up stores, celebrities’ presence, key opinion leaders’ (“KOL”) endorsements, a fashion show, video clips showcasing products, public relations work and customer engagement with an emphasis on social media, and online live broadcasts, etc. The campaign was widely covered by the fashion media and bloggers. This lent significant support to the revitalisation of the brand image of “Daphne”. The launch activities for the OC crossover also demonstrated a shift of focus of the Group’s brand marketing to digital marketing.

The Group picked up the pace of adjustment of its channel mix to align it with its new brand images, and opening of new image stores as well as related store renovation in the second half of 2017. The Group also initiated a major organisational restructuring with emphasis on the brand management to boost the efficiency of management and sales. Besides, the Group upgraded its customer relations management (“CRM”) programme by starting off with an update of the customer data and recruitment of new members. By building and expanding the customer database, the Group will be able to strengthen the customer loyalty and increase repeat business through a more solid CRM programme.

Other Brands Business

The Group's Other Brands Business mainly consists of its e-commerce business and the operations of mid- to high-end brands (including the Group's own brands, and brands under exclusive distributorships such as "AEE", "STEP HIGHER", "AEROSOLES" and "ALDO", in Mainland China, Hong Kong and Taiwan).

Due to the soft market situation and a net decrease of 18.2% in its POS from 302 to 247, the turnover of the mid- to high-end brands portfolio decreased and therefore the turnover of Other Brands Business segment decreased to HK$733.5 million (2016: HK$813.0 million). This segment accounted for approximately 14% (2016: 12%) of the Group's total revenue in 2017.

The gross profit margin of Other Brands Business slightly decreased to 58.2% from 59.0% as a result of the increased weighting in the sales mix by the e-commerce business. This, together with the weaker performance of the mid- to high-end brands portfolio, led to lower operating margin of Other Brands Business which recorded an operating loss of HK$7.1 million (2016: a profit of HK$7.8 million).

Although the online competition became more intense especially during key online shopping events, and the Group had been adhering to its stable pricing policy throughout the year, the Group's e-commerce business was stable and remained profitable in 2017. Its contribution to the Group's revenue continued to increase.

As one of the major developments in the Group's online-to-offline ("O2O") solution, store pick-up service was officially launched in 2017 at selected stores for online orders. This new service, enabled by the warehouse sharing programme, not only helped support online sales and strengthened the inventory management for the Group as a whole, but also encouraged repeat purchases at the offline stores. In addition to the facelift of its virtual stores to align them with the new brand images, the Group also made great efforts to improve the customers' online shopping experience, such as enhancement of the products' visual display and description, product search, customer service and after-sale service. On the marketing front, the Group was more active in collaborating with fashion bloggers and influencers, and in social media to interact with potential customers.

FINANCIAL REVIEW

Financial and Operational Highlights

Financial Performance

	For the year ended 31 December		
	2017	2016	Change
Turnover (HK$' million)	**5,211.0**	6,501.7	-19.9%
Gross profit (HK$' million)	**2,753.0**	3,311.7	-16.9%
Operating loss (HK$' million)	**(688.8)**	(819.5)	-15.9%
Loss attributable to shareholders (HK$' million)	**(734.2)**	(819.1)	-10.4%
Gross margin (%)	**52.8**	50.9	+1.9ppt
Operating margin (%)	**-13.2**	-12.6	-0.6ppt
Net margin (%)	**-14.1**	-12.6	-1.5ppt
Basic loss per share (HK cents)	**(44.5)**	(49.7)	-10.5%

Key Financial Indicators

	For the year ended 31 December		
	2017	2016	Change
Average inventory turnover (days) *(Note 1)*	**198**	201	-3
Average debtors turnover (days) *(Note 2)*	**14**	13	+1
Average creditors turnover (days) *(Note 3)*	**121**	130	-9
Cash conversion cycle (days) *(Note 4)*	**91**	84	+7
Capital expenditure (HK$' million)	**123.6**	110.9	+11.4%

	As at 31 December		
	2017	2016	Change
Cash and bank balances (HK$' million) *(Note 5)*	**486.3**	989.5	-50.9%
Bank loans (HK$' million)	**156.3**	296.7	-47.3%
Equity attributable to shareholders (HK$' million)	**2,874.9**	3,371.4	-14.7%
Current ratio (times) *(Note 6)*	**2.5**	2.4	+0.1
Net gearing ratio (%) *(Note 7)*	**Net cash**	Net cash	N/A

Notes:

1. *The calculation of average inventory turnover (days) is based on the average of opening and closing inventory balances divided by the cost of sales and multiplied by number of days in the year.*
2. *The calculation of average debtors turnover (days) is based on the average of opening and closing balances of trade receivables divided by the turnover and multiplied by number of days in the year.*
3. *The calculation of average creditors turnover (days) is based on the average of opening and closing balances of trade payables divided by the purchases and multiplied by number of days in the year.*
4. *The calculation of cash conversion cycle (days) is based on the average inventory turnover (days) plus average debtors turnover (days) minus average creditors turnover (days).*
5. *Cash and bank balances comprise cash and cash equivalents (including those transferred to disposal group classified as held-for-sale), bank deposit with maturity over three months and pledged bank deposits.*
6. *The calculation of current ratio (times) is based on total current assets divided by total current liabilities as at year end.*
7. *The calculation of net gearing ratio (%) is based on net debt (being bank loans less cash and bank balances) divided by equity attributable to shareholders as at year end.*

Analysis of Results by Business Segment

For the year ended 31 December 2017, the turnover of the Group was HK$5,211.0 million (2016: HK$6,501.7 million), a decrease of 19.9% compared to last year. The business performance of individual segments is summarised as follows:

	Core Brands Business		Other Brands Business		Manufacturing Business	
(HK$' million)	**2017**	2016	**2017**	2016	**2017**	2016
Revenue from external customers	***4,477.4***	*5,691.5*	***733.5***	*808.8*	*-*	*1.4*
Inter-segment revenue	***225.8***	*244.5*	*-*	*4.2*	***199.2***	*206.4*
Total segment revenue	**4,703.2**	5,936.0	**733.5**	813.0	**199.2**	207.8
Segment gross profit	**2,314.9**	2,808.2	**426.8**	480.1	**11.6**	11.9
Segment gross margin	***49.2%***	*47.3%*	***58.2%***	*59.0%*	***5.8%***	*5.7%*
Segment operating (loss)/profit	**(667.6)**	(744.1)	**(7.1)**	7.8	**(0.1)**	(12.3)
Segment operating margin	***-14.2%***	*-12.5%*	***-1.0%***	*1.0%*	***-0.1%***	*-5.9%*

During the year ended 31 December 2017, total segment revenue of the Core Brands Business decreased by 20.8% to HK$4,703.2 million from HK$5,936.0 million in last year. It is mainly due to the closure of stores and decline in the same-store sales. Its gross margin improved from 47.3% to 49.2% as a result of product mix and less clearance of old stocks. The segment recorded an operating loss of HK$667.6 million compared to that of HK$744.1 million in last year.

On the other hand, the total segment revenue of Other Brands Business decreased slightly by 9.8% to HK$733.5 million (2016: HK$813.0 million) which is also attributable to the closure of stores during the year while the e-commerce business's turnover remained at the similar level as last year. However, the segment recorded an operating loss of HK$7.1 million compared to that of a profit of HK$7.8 million last year.

Other Income

Other income decreased by HK$33.5 million from HK$76.7 million in last year to HK$43.2 million for the year ended 31 December 2017. The drop in other income is mainly because there was no income derived from "Lady Bees" television programme this year.

Operating Expenses

Overall, the Group's operating expenses (including other losses - net, selling & distribution and general & administrative expenses) decreased by HK$722.7 million or 17.2% to HK$3,485.1 million from HK$4,207.8 million in last year. The drop in operating expenses was generally in line with sales decrease and led mainly by rental cost, depreciation charges and promotional and marketing expenses.

Operating Loss

As a result of the above, the Group incurred an operating loss of HK$688.8 million in 2017, narrowed by HK$130.7 million or 15.9% as compared to HK$819.5 million in last year.

Income Tax Expense

The Group's income tax expense for the year was HK$44.1 million (2016: HK$9.4 million). This is mainly attributable to derecognition of deferred income tax assets for certain timing differences and tax losses.

Loss Attributable to Shareholders

For the year ended 31 December 2017, the Group's loss attributable to shareholders also dropped by 10.4% to HK$734.2 million compared to that of HK$819.1 million in last year. Basic loss per share was HK44.5 cents (2016: HK49.7 cents).

Inventories

As at 31 December 2017, the Group's inventories decreased by HK$167.6 million from HK$1,414.5 million to HK$1,246.9 million. Average inventory turnover was 198 days, 3 days less than last year. Included in the inventories, the balance of provision for slow-moving and obsolete items was HK$537.9 million as at 31 December 2017 (2016: HK$527.0 million).

Trade Receivables

The amount of trade receivables as at 31 December 2017 decreased by HK$26.8 million, or 12.9%, to HK$181.3 million compared to that of HK$208.1 million in 2016. Average debtors turnover remained stable at around 14 days (2016: 13 days).

Trade Payables

As at 31 December 2017, the Group's trade payables decreased by HK$225.7 million, or 28.0%, to HK$581.3 million (including those transferred to disposal group classified as held-for-sale) (2016: HK$807.0 million) and the average creditors turnover decreased by 9 days to 121 days (2016: 130 days).

Liquidity and Financial Resources

As at 31 December 2017, the Group had cash and bank balances, comprising cash and cash equivalents (including those transferred to disposal group classified as held-for-sale), bank deposit with maturity over three months and pledged bank deposits, amounting to HK$486.3 million (2016: HK$989.5 million), which were denominated mainly in Renminbi.

As at 31 December 2017, the Group's short-term bank loan was HK$156.3 million (2016: HK$296.7 million) and therefore the Group's net cash amounted to HK$330.0 million (2016: HK$692.8 million). The bank loan was denominated in USD and at floating rates during the year. The Group did not hedge its exposure to interest rate risks via interest rate swap.

The net decrease in cash and bank balances of HK$503.2 million (2016: HK$86.1 million) during the year is analysed as follows:

	For the year ended 31 December	
	2017	2016
	HK$' million	HK$' million
Net cash (used in)/generated from operating activities	**(304.8)**	327.4
Capital expenditure	**(123.6)**	(110.9)
Proceeds from disposal of property, plant and equipment	**3.8**	7.3
Proceeds from disposal of subsidiaries	**22.5**	-
Net interest received	**12.4**	9.8
Net bank loans repaid	**(140.4)**	(324.1)
Effect of exchange rate changes and others	**26.9**	4.4
	(503.2)	(86.1)

For the year ended 31 December 2017, the Group's interest expenses on bank loans amounted to HK$6.0 million compared to last year's HK$6.5 million. The Group's interest income was HK$22.4 million (2016: HK$16.3 million).

As at 31 December 2017, the Group was granted banking facilities amounting to HK$163.0 million (2016: HK$320.5 million). The Group's net gearing ratio, calculated on the basis of net debt (being bank loans less cash and bank balances) over equity attributable to shareholders, was in a net cash (2016: net cash) position. Current ratio was 2.5 times as at 31 December 2017 (2016: 2.4 times). The board of directors is of the opinion that the Group has sufficient financial resources to meet its obligation as and when they fall due over the next twelve months.

Foreign Exchange Risk Management

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and the Group may use forward foreign exchange contracts when major fluctuation in the relevant foreign currency is anticipated. During each of the two years ended 31 December 2017, the Group entered into forward foreign exchange contracts to hedge the foreign exchange risk exposure on bank loans denominated in USD. As at 31 December 2017, there were no outstanding forward foreign exchange contracts.

Pledge of Assets

As at 31 December 2017, the Group's pledged bank deposits amounting to HK$181.4 million (2016: Nil) were pledged for utilising certain banking facilities.

Capital Expenditure

During the year, the Group incurred capital expenditure of HK$123.6 million (2016: HK$110.9 million) mainly for retail network expansion and renovation.

Contingent Liabilities

As at 31 December 2017 and 2016, the Group had no significant contingent liabilities.

Human Resources

As at 31 December 2017, the Group had a workforce of about 13,000 (2016: 15,000) people predominantly in Mainland China, Taiwan and Hong Kong. Employee benefits expense, including directors' emoluments, retirement benefit costs and share-based payment expense, for the year was HK$833.2 million (2016: HK$889.4 million). The decrease of HK$56.2 million or 6.3% was mainly due to the reduction in headcount of factories, stores and back office. The Group values its human resources and recognises the importance of retaining high calibre employees. Remuneration packages are generally structured with reference to market conditions and terms as well as individual qualifications. In addition, share options, share appreciation rights and discretionary bonuses are granted to eligible employees based on the performance of the Group and of the individual employee. The Group also provides mandatory provident fund schemes, medical insurance schemes, staff purchase discounts and training programmes to employees.

AWARDS

The Group received a number of accolades in 2017 that reflected its efforts in the improvement of branding, products and corporate governance. Daphne topped the "China Net Promoter Score" in 2017 by Chnbrand in women's footwear category. The annual survey interviewed over 18,900 consumers across 35 cities in China on their willingness to recommend branded products they had used to their friends. The net promoter score examined word-of-mouth reputation and customer loyalty of over 5,600 consumer brands.

Daphne also retained its number one position in the "China Brand Power Index 2017" (women's shoes category) by Chnbrand for the seventh consecutive year. It also won the "Golden Award" by Chnbrand because of its top ranking in the same survey for more than five years in a row. These awards reflected the strong awareness of the Daphne brand in Mainland China. By interviewing 15,885 consumers in 35 cities across the country, the survey examined brand awareness and customer loyalty and classified the findings by industry and type of products.

In Chnbrand's "China Customer Satisfaction Index 2017" (women's shoes category), Shoebox topped the ranking for two consecutive years, and Daphne ranked the third this year. The survey polled consumers' level of satisfaction of a product upon consumption by way of individual face-to-face interviews. Its sample size was 919,000 people across 35 cities.

Chnbrand is a research institution funded by the Chinese Government's Ministry of Industry and Information Technology, and is reputed to be one of the most credible brand rating organisations in China.

Besides, the Group was nominated for the Best IR Company (Small Cap category) in the Investor Relations Awards 2017 organised by the Hong Kong Investor Relations Association in recognition of its efforts to ensure good corporate governance and investor relations.

OUTLOOK

China's economy is expected to continue with its moderate and stable growth in 2018 riding on steady increase in domestic consumption and external demand. Nonetheless, with uncertainties from monetary tightening and emerging trade protectionism around the globe, as well as the cycle of interest rate hikes in the United States, China's economic growth could be hampered. The potentially high volatility in the financial market could also dampen consumer sentiment and confidence in China.

The relentless rise of online shopping fuelled by aggressive e-tailers will continue to pose huge pressure on the operation of brick-and-mortar retailers in China, in particular fashion retailers. The increasing popularity of outbound travel among local residents coupled with the recent strength of Renminbi could affect local consumption. Price competition driven by local peers in the women's footwear sector further aggravates the difficulties the Group faces.

Nevertheless, the recent 19th National People's Congress in China has ensured leadership stability and policy clarity for the next five years, which are expected to further improve business prospect and strengthen consumer confidence. In addition, consumers are becoming more sophisticated with an increasing emphasis on quality and style. The Group is well-positioned to seize business opportunities presented by the above favourable market factors, leveraging its business transformation to achieve brand differentiation, elevate sales efficiency and attain sustainable growth.

The Group is making every endeavour in implementing its plan for business transformation which features a wide spectrum of the Group's operation. Since the beginning of the Group's roll-out of its key initiatives in early 2017, it takes time to prepare for full implementation of the plan with most of the hard work from the implementation process starting to reflect at customer touch points until the third and fourth quarter of 2017. With prudent estimation of the complexity of such an extensive business transformation involving internal restructuring and re-engineering, phase-in and phase-out of new and old systems and practices, tremendous external and internal co-ordination and communication, the Group understands that it takes time to roll out the measures across a vast country and to yield results. Some key initiatives are implemented by phases to tackle the complexity. Along the implementation process, the Group will closely monitor and respond to the changing consumer preferences and the evolving market situation by doing necessary modification to its new measures. It will also analyse sales data and customer responses from the initial runs of new measures, so that it can fine-tune and amend the measures to optimise effects. Although most of its measures are progressing as planned, and the same-store sales performance for the first-quarter-to-date of 2018 on a year-on-year basis was comparable to that of the previous quarter, the Group is well aware that there are still a lot to be done.

The Group is poised to roll-out Daphne's new-image stores steadily in 2018 upon the completion of necessary modification for the store building and renovation plan. It will also continue with the adjustment in its channel mix to complement the new brand images. The Group's product design team and brand management team will analyse sales data and customer feedback from the autumn and winter 2017 collection and incorporate adequate changes in product design and portfolio, product quality, product ordering and allocation to enhance its future product collections. The Group has also planned to make further adaptations of its supply chain to the overall product upgrade. While a new batch of crossover products with "Opening Ceremony" brand for the upcoming spring and summer seasons is about to be launched, the Group is working on the next major crossover project for its autumn and winter collection in 2018. To make its CRM programme more appealing and engaging, the Group will enrich its loyalty programme and improve the recruitment mechanism of new members.

The Group's e-commerce business will continue the pursuit of "O2O" business by strengthening interaction between online and offline, and improve the related efficiency. For example, the Group will extend the coverage of its shop-pick-up service in its store network. It also has plans in the pipeline to expand its online sales distribution network. In addition to bringing a wider range of exclusive products to its online product offerings, the Group will see improving customers' online shopping experience as an ongoing measure. In view of the fast evolution of the online retail market in China, the Group's e-commerce team has dedicated its efforts to closely monitor market dynamics and will plan to take adequate actions to maintain and expand its online market presence.

The Group is confident that the business transformation plan is leading it towards the growth path, albeit that its benefits may take time to realise. It may require some patience for the interlocking measures to settle in and synchronise to give the full effect. Nevertheless, the management is dedicated to ensuring effective execution of the transformation initiatives and resolving challenges during the process. With its stable financial position, the Group will be able to continue with its value creation for shareholders and strive for sustainable growth.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year ended 31 December 2017. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. Following specific enquiry by the Company, all directors have confirmed that they fully complied with the required standards as set out in the Model Code during the year ended 31 December 2017.

CHANGES IN DIRECTORS' INFORMATION

Changes in directors' details since the date of the Annual Report 2016 of the Company and up to the date of release of the annual results of the Company which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, are set out below:

1. With effect from 17 May 2017, Mr. Chen Ying-Chieh, a non-executive director of the Company, has resigned as the Chairman of the board of directors and ceased to be an authorised representative of the Company; and

2. With effect from 17 May 2017, Mr. Chang Chih-Kai, an executive director and the Chief Executive Officer of the Company, has been appointed as the Chairman of the board of directors, an authorised representative of the Company and a member of Remuneration Committee.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year except for the deviations from code provision A.2.1 and A.6.7 which are explained below.

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same individual. Mr. Chang Chih-Kai acted as the Chairman and the CEO of the Company since 17 May 2017. This was in deviation from code provision A.2.1.

The board of directors is of the opinion that vesting the roles of both Chairman and CEO in Mr. Chang Chih-Kai has the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning for the Group. The board of directors also believes that the balance of power and authority will not be compromised and is adequately ensured by the existing board of directors which comprises experienced and competent individuals with more than one-third of the board of directors being independent non-executive directors.

During the year, the Company held an annual general meeting (the "AGM") on 24 May 2017. Due to unavoidable business engagements, Mr. Huang Shun-Tsai, the independent non-executive director and Mr. Chen Ying-Chieh, the non-executive director, were unable to attend the AGM. This was in deviations from code provision A.6.7 of the CG code.

REVIEW OF FINANCIAL STATEMENTS AND RESULTS ANNOUNCEMENT

The Group's audited consolidated financial statements for the year ended 31 December 2017 including the accounting principles and practices adopted have been reviewed by the Audit Committee of the Company.

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary results announcement have been agreed by the Group's independent auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on the preliminary results announcement.

FINAL DIVIDEND

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company will be held on 24 May 2018. A notice of the forthcoming annual general meeting will be issued and disseminated to shareholders in due course. The register of members will be closed from 18 May 2018 to 24 May 2018, both dates inclusive. In order to qualify to attend and vote at the forthcoming annual general meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 17 May 2018.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the HKEXnews (www.hkexnews.hk) and the Company (www.daphneholdings.com). The annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

By Order of the Board
Daphne International Holdings Limited
Chang Chih-Kai
Chairman & CEO

Hong Kong, 28 March 2018

As at the date of this announcement, the Board of the Company comprises three Executive Directors, namely Mr. Chang Chih-Kai, Mr. Chang Chih-Chiao and Mr. Chen Tommy Yi-Hsun; one Non-executive Director, namely Mr. Chen Ying-Chieh; and three Independent Non-executive Directors, namely Mr. Huang Shun-Tsai, Mr. Kuo Jung-Cheng, and Mr. Lee Ted Tak Tai.